



L - SERVICE CONCESSION ARRANGEMENTS

Overview

Purpose and Objectives

Generally Accepted Accounting Principles require the State to provide financial information and disclosure in its financial statements for Service Concession Arrangements (SCA). An SCA is an arrangement between a transferor (government) and an operator (government or non-government entity) in which **ALL** of the following criteria are met:

- The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of a capital asset (“facility” - which includes infrastructure, equipment, and other tangible and intangible assets) in exchange for significant consideration, such as up-front payment, installment payments, a new facility, or improvements to an existing facility.
- The operator collects and is compensated by fees from third parties.
- The transferor determines, or has the ability to modify or approve, what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services.
- The transferor is entitled to significant residual interest in the service utility of the facility at the end of the arrangement.

Agency Action Required

- Complete the Service Concession Arrangements Form and return the Form to the Division of Business and Finance (DBF) **no later than the date shown in Section A.3 - Due Dates.**

Accounting Principles and Policies

GAAP provided in GASB Statement No. 60 requires the State to provide financial information and disclosures in its financial statements of the SCA for the fiscal year ended June 30.

SCAs INCLUDE (but are not limited to):

- Arrangements in which the operator will design and build a facility and will obtain the right to collect fees from third parties (e.g., construction of a municipal complex for the right to lease a portion of the facility to third parties).
- Arrangements in which the operator will provide significant consideration in exchange for the right to access an existing facility (e.g., a parking garage) and collect fees from third parties for its usage.
- Arrangements in which the operator will design and build a facility for the transferor (e.g., a new tollway), finance the construction costs, provide the associated services, collect the associated fees, and convey the facility to the government at the end of the arrangement.



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Overview (continued)

Accounting Principles and Policies (continued)

SCAs EXCLUDE:

- Arrangements in which a third party only designs and builds a capital asset for the government.
- Vendor arrangements to provide ancillary services using a public asset.
- Service and management agreements - this relationship is similar to that of a purchaser and vendor in which the relationship is short-term and the risk/responsibility for delivery of the service largely remains with the government.
- Transferor makes payments to operator, as opposed to third party users.
- Privatizations - a government permanently transfers a capital asset or service to an operator, generally through a sale.
- Agency relationships in which an operator accepts payment from third parties and remits payments to the transferor for an established fee.

Working Papers

All working papers may be subject to audit. The agency should keep copies of the completed Form. In addition, the agency should retain all documents pertaining to service concession arrangements.

General Instructions

- Carefully read the instructions and definitions that apply to this closing package.
- Be sure to include all service concession arrangement items that meet the definitions in **Section X - Glossary**.
- Prepare and complete a Service Concession Arrangements Form for your agency.
- Please send questions regarding the closing package to ACFR@azdoa.gov.



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Instructions - Form 53

Service Concession Arrangements - Form 53

- Enter your agency ID Code (three-character) and agency name.
- Complete all information regarding the preparation and approval of this Form. If the DBF should contact someone other than the preparer about questions that may arise, please enter that person's name, title, and contact information. Keep a copy of the Form.
- Enter a description of the SCA (e.g., operation of parking garage, tolls, prisons, etc.).
- Indicate if your Agency is a Transferor or Operator in this arrangement.
- Enter the amount of the upfront considerations received by the Transferor from the Operator.
- Enter the amount of the total present value of installment payments to be received by the Transferor from the Operator.
- Enter the amount of the fair value of the assets when placed in operations.
- Enter the amount of the present value of the liabilities associated with the SCA. Liabilities should be recorded if a contractual obligation is significant and meets **EITHER** of the following criteria:
 - The contractual obligation directly relates to the facility (e.g., obligations for capital improvements, insurance, or maintenance on the facility). This obligation could relate to ownership of the facility or could arise from the Transferor's responsibility to ensure that the facility remains fit for the particular purpose of the arrangement.
 - The contractual obligation relates to a commitment made by the Transferor to maintain a minimum or specific level of service in connection with the operation of the facility (e.g., providing a specific level of police and emergency services for the facility or providing a minimum level of maintenance to areas surrounding the facility).
- Some SCAs include provisions for revenue sharing. Indicate if such a provision exists.
- Round all dollar amounts to the nearest whole dollar.



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Summary - At June 30, 2022

Agency:	<input type="text"/>		<input type="text"/>
	ID Code		Agency Name
Prepared:	<input type="text"/>	By:	<input type="text"/>
	Date		Employee Name
			<input type="text"/>
			Title
Approved:	<input type="text"/>	By:	<input type="text"/>
	Date		Name/Title
			<input type="text"/>
			Phone
			<input type="text"/>
			Email
			<input type="text"/>
			Email

1. Description of the service concession arrangement:

2. Is the Agency a Transferor or Operator?	<input style="width: 95%; height: 40px;" type="text"/>
3. What is the value of the total upfront considerations received by the transferor from the operator?	<input style="width: 95%; height: 40px;" type="text"/>
4. What is the total present value of installment payments to be received by the transferor from the operator?	<input style="width: 95%; height: 40px;" type="text"/>
5. If the facility is a new facility purchased or constructed by the operator, or an existing facility that has been improved by the operator, what is the total fair value of the assets when placed in operation?	<input style="width: 95%; height: 40px;" type="text"/>
6. What is the present value of the liabilities associated with the service concession arrangement?	<input style="width: 95%; height: 40px;" type="text"/>
7. Are there any revenue sharing provisions between the transferor and the operator?	<input type="checkbox"/> Yes <input type="checkbox"/> No